

VZCZCXYZ0007  
PP RUEHWEB

DE RUEHEG #2373 3231614  
ZNR UUUUU ZZH  
P 181614Z NOV 08  
FM AMEMBASSY CAIRO  
TO RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY  
RUEHC/SECSTATE WASHDC PRIORITY 0873  
INFO RUEHTV/AMEMBASSY TEL AVIV PRIORITY 1794  
RUEHJM/AMCONSUL JERUSALEM PRIORITY 1083

UNCLAS CAIRO 002373

SENSITIVE  
SIPDIS

NEA/ELA FOR SCHALL

E.O. 12958: N/A  
TAGS: [ENRG](#) [PREL](#) [ECON](#) [IS](#) [EG](#)  
SUBJECT: EGYPTIAN COURT SEEKS TO END NATURAL GAS EXPORTS TO  
ISRAEL

REF: A. CAIRO 419  
[1](#)B. CAIRO 1359  
[1](#)C. CAIRO 2257  
[1](#)D. SIDEREAS-SCHALL EMAIL 11/2/08

Sensitive but unclassified. Please treat accordingly.

[1](#)1. (SBU) The Administrative Court of Cairo ruled on November 18 that ongoing natural gas exports to Israel should be halted because the export agreement between Egypt and Israel violates article 123 of the Egyptian constitution, pertaining to the protection and use of natural resources. The court determined that the Ministry of Petroleum violated the Constitution by allowing the state-owned Egyptian General Petroleum Corporation (EGPC) and Egyptian Gas Holding Company (EGAS) to negotiate a gas export agreement with the Eastern Mediterranean Group Company (a private pipeline operator) and Israel in 2005 without the approval of the People's Assembly.

This decision was reached by a court of first review and may be appealed to the Supreme Administrative Court of Egypt. Contacts in the Ministry of Petroleum are not yet willing to discuss the verdict but a member of the public relations office told econoff that the case does not have sufficient merit to withstand an appeal before the Supreme Administrative Court.

[1](#)2. (SBU) According to Al Jazeera and Masrawy, an independent Egyptian electronic news service, the plaintiff, retired Egyptian ambassador and lawyer Ibrahim Yousri, filed this lawsuit because the terms of the export agreement were overly favorable to Israel and financially disadvantageous to Egypt.

Masrawy reported that Yousri is affiliated with a citizens' group opposed to gas exports to Israel led by Mohamed Anwar el Sadat, former member of the People's Assembly and nephew of assassinated president Anwar el Sadat.

[1](#)3. (SBU) The exact price of Egyptian gas per MMBTU to Israel is not known but industry contacts told econoff that it is likely under \$1.50 per million British Thermal Units (MMBTU).

Egyptian gas exports to Israel have been controversial since news of the deal became public (refs A-C) and criticism intensified when world prices for natural gas skyrocketed to \$13 per MMBTU in the spring of 2008. Prime Minister Nazif and Petroleum Minister Fahmy have frequently repeated since September that the Ministry of Petroleum was renegotiating all export contracts. The Egyptian press reported recently that the GOE had succeeded in increasing the price per MMBTU for its liquefied natural gas (LNG) exports to Gaz de France and Union Fenosa of Spain to \$3.12 per MMBTU from \$1.78 (ref D).

[1](#)4. (SBU) COMMENT: We expect that the Ministry of Petroleum will appeal this decision to the Supreme Administrative Court. We do not anticipate that gas exports will be halted

pending the appeal and will continue to monitor the situation.  
SCOBAY